



OMB Circular A-123 Appendix A: How Will it Impact You?

**Presented at:
1st Quarter FY 2005 Lessons-Learned
Conference
DFAS-Columbus, March 1-2, 2005**

**Rick Davis, Assistant Director for Policy & Reporting,
OUSD(C), Office of the DCFO
703-697-7296, richard.d.davis@osd.mil**

OMB A-123 Appendix A: Impact & Implementation



	CHANGES (Effective FY 2006)	IMPACT	IMPLEMENTATION
	Adds Appendix A		
1	--- Requires separate statement of assurance (SOA) for financial reporting function as well as SOA for other functions.	All reporting entities.	DoD policy May 2005.
2	--- Requires risk assessment and documentation of effectiveness of internal controls for financial reporting.	All reporting entities.	OMB to provide more guidance March 2005.
3	--- Requires a senior assessment team	Requirement for all reporting	Use audit committees.

OMB A-123 Appendix A Requirements



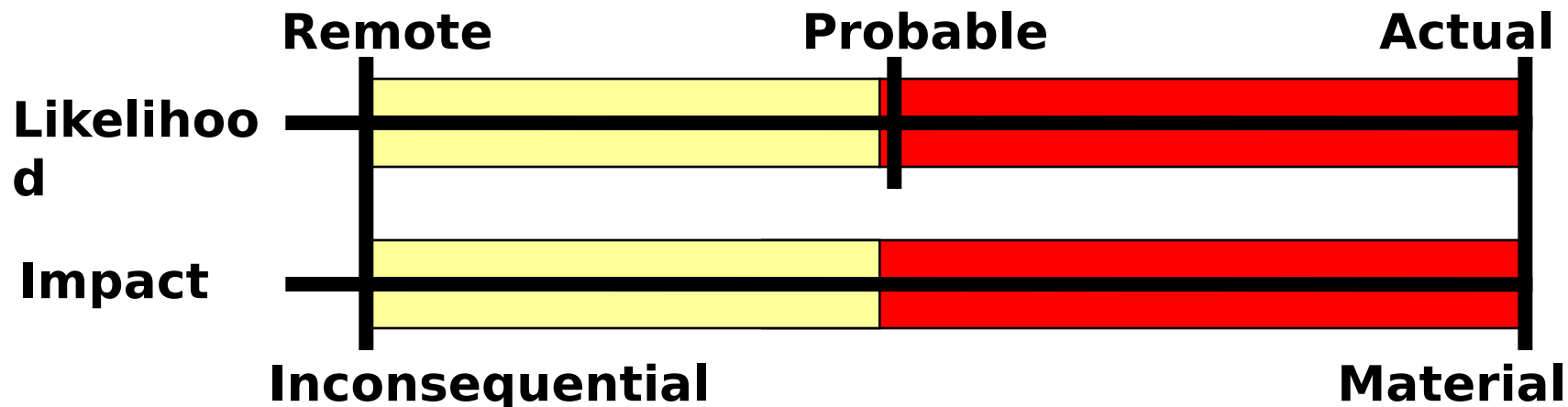
- Define Financial Statement Reporting Objective (“Mission”)
- Identify Financial Statement Lines based on Materiality
 - Quantitative vs. Qualitative
- Risk Assessment on Material Financial Statement Lines
 - Identification, analysis and management of risks relevant to preparing GAAP compliant financial statements
 - Risks may arise from internal or external events
- Identify Control Activities for Material Lines
 - Processes, systems, policies, procedures, segregation of duties, safeguarding assets, etc. are identified and documented (e.g. flowchart)

OMB A-123 Appendix A Requirements



- Assess Control Activities (Material Lines)
 - Existence and Occurrence
 - Completeness
 - Valuation and Measurement
 - Rights and Obligations
 - Presentation and Disclosure
 - Timeliness
- Report (Statement of Assurance)
 - Identify financial statement reportable conditions, material weaknesses and corrective actions
 - Refer to financial statements/lines that management asserts are ready for audit

Materiality: Reportable Condition vs. Material Weakness



 Reportable Condition

 Material Weakness

OMB A-123 Appendix A Requirements



- Implement Corrective Actions
- Validate Resolution of Weakness
 - All corrective actions implemented
 - Existence, completeness, valuation, etc. are all present
 - Management, internal auditor, or contractor can perform
- Assert Financial Statements/Lines Ready for Audit
- Monitor
 - External auditor **assessment** that financial statement/line is ready for audit
 - External auditor **audit** of financial statement/line